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DIRECTORATE OF  
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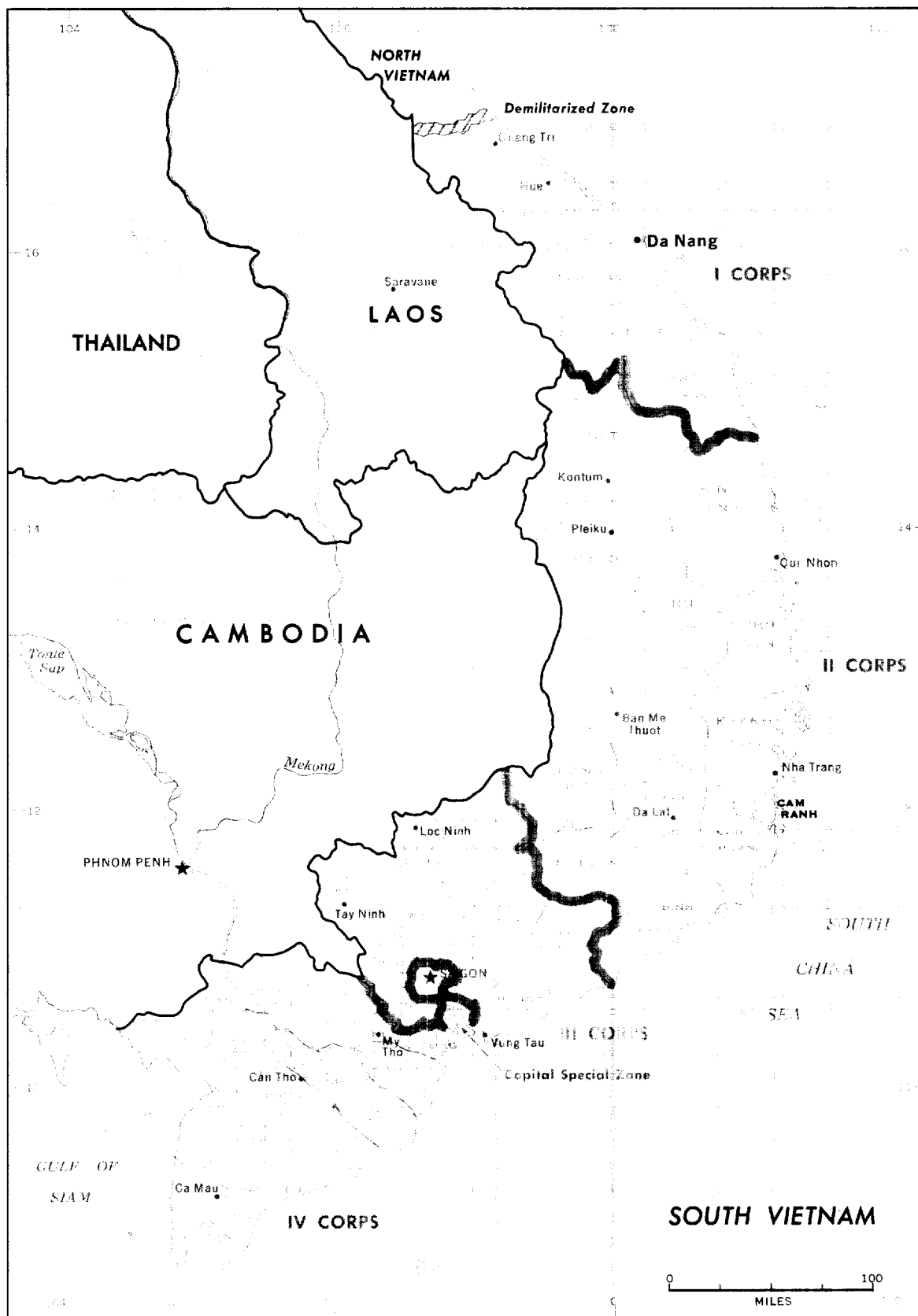
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**[ Vietnam:** The tempo of military activity remained unchanged during the weekend.

The Communists maintained a steady pace of localized guerrilla strikes and harassing mortar and rocket attacks, particularly in III Corps. Ground action was confined to a handful of brief contacts largely triggered by intensive allied operations in northwestern III Corps and lower I Corps.

Heavy fighting south of Da Nang late last week should result in reduced enemy pressure in the east-central I Corps lowlands.

Communist activity in the Demilitarized Zone is continuing. Groups of personnel numbering up to an estimated 100 were reported by South Vietnamese observers [REDACTED]

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Lebanon: The Israeli attack on Beirut airport, rather than discouraging Lebanese-based terrorist activity, may invite more.

The Lebanese Government up to now [ ] has been relatively successful in controlling the terrorists despite strong pressure from the Muslim sector of the population. In the wake of the Israeli raid, Lebanese officials have expressed fears to the US Embassy that public reaction might result in a complete breakdown in security.

Preliminary reports from Lebanon indicate that the populace is in an "ugly mood" and may take to the streets. Public hostility, as reflected in the Lebanese press, is being aimed--initially at least--at the government for its inability to defend the country, rather than at Israel or the US.

Lebanon is unlikely to undertake any military retaliation against Israel. This is implicit in its call for Security Council consideration of the Israeli attack. The government may be able to reduce popular pressure somewhat by its appeal to the UN, but it almost certainly will be forced to reverse its current policy of hindering terrorist activities.

Other Arab states' reaction to the Israeli raid will be harsh. With the raid coming on the heels of the US announcement of the sale of the F-4 Phantom aircraft to Israel, the US will come in for a share of the blame, and attacks against US installations in the area may occur. [ ]

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Bulgaria: Party boss Todor Zhivkov has restructured the government and reshuffled personnel in an effort to deal with the country's troublesome economic and administrative problems.

Wholesale changes were approved by a recent party plenum and ratified by the National Assembly on 26-27 December. They signify retrenchment, recentralization, and a tightening of party control, in contrast to the cautious attempt to induce flexibility into the decision making process in recent years.

Zhivkov now intends to meet his growing economic problems--a balance of payments deficit, shortage of some consumer goods, and increasingly high prices--by appointing as economic czar his first deputy for government affairs, Zhivko Zhivkov. He will head a new Committee for Economic Coordination with a wide latitude of responsibility and power. In dissolving the committee for implementing the much lauded "new system of management," Todor Zhivkov may be discreetly de-emphasizing for the time being his economic reform program.

The personnel changes are largely aimed at consolidating major responsibilities into fewer hands in the top levels of the hierarchy. There were only two important clear-cut demotions--the minister of foreign trade, probably because of his failure to deal with a severe balance of payments problem, and the minister of internal affairs, indicating the regime's desire to bring more effective leadership into security affairs.

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NOTE

Portugal: In announcing on 27 December that Lisbon is ready to reopen negotiations with the US for renewal of the Azores base agreement, the foreign minister professed confidence that the US would be more sympathetic toward his country's position in Africa. He stated that Portugal possessed a "right to demand that others cooperate in carrying out" its African policy. The US Embassy believes that the Portuguese have convinced themselves that Western opinion and the new US administration will move toward a position more favorable to Portuguese policy in Africa. The foreign minister indicated that Lisbon would not modify its African policy one iota in response to the recent relatively moderate anti-Portuguese resolution adopted by the UN General Assembly. [REDACTED]

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